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UNCLAS SECTION 01 OF 03 COLOMBO 000031

SENSITIVE  
SIPDIS

PLEASE PASS TO USTR FOR MICHAEL DELANEY

E.O. 12958: N/A  
TAGS: [CE](#) [ECON](#) [ELAB](#) [ETRD](#)  
SUBJECT: POST RECOMMENDS NOT ACCEPTING SRI LANKA GSP  
PETITION FOR REVIEW

REF: A. A) 2009 COLOMBO 795  
[1](#)B. B) 2009 COLOMBO 1037

[1](#)1. (SBU) Summary. Post does not support accepting the AFL-CIO petition to remove Sri Lanka as an eligible country under the GSP program because Sri Lankan labor standards are among the best in the region, the apparel industry has a program to improve working conditions, and the political impact of reviewing GSP eligibility would be counterproductive. Most labor unions have not joined the GSP petition, and even union signatories candidly admit that their purpose is not to lose GSP but to use the review process as leverage to gain additional labor rights. Labor union leaders agree that Sri Lanka's labor laws are strong, although they see serious problems in implementation. The local office of the International Labor Organization (ILO) is implementing a USG grant to improve labor standards. Labor unions in the public sector and state-owned enterprises are primarily tied to political parties, and many of their actions are politically motivated. The apparel industry has a 'garments without guilt' program that provides audits of apparel factories to improve working conditions. Finally, the timing is not right to review the petition. Since early October, the Government of Sri Lanka (GSL) has made positive steps on freedom of movement and facilitated returns for internally displaced persons (IDPs), and has begun to make progress on human rights. Accepting the GSP petition for review now could diminish our ability to push for additional progress on our highest priority objectives: the continued return and resettlement of IDPs; accountability; and progress on human rights. End Summary.

No Support for GSP Removal

[1](#)2. (SBU) The GSP petition is supported by few unions in Sri Lanka, and even these union supporters acknowledge that their purpose is not to remove GSP benefits. The International Labor Organization works with 17 major trade unions which it considers representative of unions in the country, and only four of the seventeen unions were signatories to the GSP petition. Tine Straermose, director of the regional ILO office, thought that Sri Lanka was moving toward internationally recognized worker rights, and that the GSP petition did not reflect the conditions on the ground (see reftel A). Econoff recently met with Palitha Atukrale, President of the Progress Union, which signed the GSP

petition. Atukrale candidly told Econoff that no one wants the United States to actually remove Sri Lanka as a GSP-eligible country, but the unions do not think that the GSL is listening to them, so the GSP petition creates leverage to force the GSL to provide additional labor protections.

#### Labor Laws Are Good; Problem is Enforcement

13. (SBU) Labor conditions in Sri Lanka appear to be far better than in many countries in the region. Anton Marcus, head of the Free Trade Zones and General Service Employees Union and one of the leaders of the GSP petition, thought that Sri Lanka had good labor laws, but the problem is enforcement. Econoff has spoken to several NGO officials who commented that the working conditions in Sri Lankan factories were the best in the region. Sri Lanka has also avoided other problems. Marcus and Kumari Witharana of the Solidarity Center both told Econoff that companies paid the earned wages in the Export Processing Zones (EPZs), where the GSL Board of Investment supervises the companies, although they thought that this could be a problem outside the EPZs. Kumar Mirchadani, an apparel industry leader, said that the minimum wage was 6,500 Rs per month (\$57 USD), but his factory (which was representative of apparel factories) paid 8,500 Rs base pay (\$74 USD), and that most of his workers received substantial overtime. In addition, labor and industry leaders agreed that there is no child labor in the formal sector. Finally, Witharana of the Solidarity Center said that the GSL was not targeting labor leaders now (as stated in the petition), although she alleged that private

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companies are still firing union leaders to keep their shops union free.

14. (SBU) Labor union leaders thought that labor conditions had remained the same since post's comprehensive description last August (see ref tel A). The GSL has plans to increase the labor fines for violations of the Industrial Disputes Act from 20,000 Rs (approximately \$175 USD) to 100,000 Rs (\$887 USD), but the draft regulation has not been implemented. Similarly, the unions report that it is still difficult to gain access to the EPZs to organize the workers (although this is disputed by the employers). The Solidarity Center tried to overcome these restrictions by setting up 'welfare centers' with televisions and books right outside the EPZs to meet the workers. Similarly, labor tribunals have not sped up, nor has the GSL changed the requirement that 40% of the workers must support the union before the union can apply to represent the workers.

15. (U) The International Labor Organization is preparing work plans to implement new projects based on a \$400,000 USD USG grant. The work plans will focus on: 1) creating stronger worker and employer organizations and other capacity building; 2) revising labor laws to address any shortcomings and bring them into full compliance with international labor standards; 3) establishing mechanisms for labor and management cooperation, including on health and safety concerns; and 4) strengthening the labor inspection system and improve dispute resolution capacity. The ILO will implement these work plans over the next eighteen months. Post will follow the progress of these work plans closely.

#### Politicized Unions in Government and State-Owned Enterprise Sector

16. (SBU) The unions representing government and state-owned enterprise workers are very different than the private sector unions. In the public sector, unions are controlled by political parties and several unions represent workers at the same work place. In November, as described in ref tel B, the unions associated with the opposition UNP and JVP parties engaged in a 'work to rule' labor action at four

utilities, but workers in the government-affiliated unions continued to work and even protested against the labor action. Econoff met with Leslie Devendra, Secretary General of the government-affiliated SLNSS union, with 88,000 members, who said that the claims of the GSP petition were 'completely blown out of proportion.' The November work to rule labor action did have some economic aims, but most observers believe that their primary goals were political.

#### Garments Without Guilt Program

17. (U) Sri Lanka manufacturers are working to improve their image and working conditions through the 'Garments Without Guilt' program. This program advances the principles of: 1) ethical working conditions; 2) no child labor; 3) no forced labor; 4) no discrimination on any grounds; and 5) freedom from sweatshop practices. The Joint Apparel Association Forum (JAAF) has hired an international audit company to conduct audits of their members; 130 audits have been completed so far. The audits have overwhelmingly found only fairly minor issues, and these companies have three months to implement a correction plan. According to JAAF, some companies have failed the audit, making it credible. The Garments Without Guilt program particularly focuses on ensuring payment of overtime. The Sri Lankan apparel association has marketed the Garments without Guilt program to buyers in order to establish Sri Lanka as a niche producer of ethical manufacturing. Labor leaders such as Anton Marcus dismiss the Garments Without Guilt program as an attempt to avoid labor unions, and he claims that the monitors are not independent. Nevertheless, the Garments Without Guilt program appears to be a genuine effort by employers to police the working conditions of their members. The local office of the International Labor Organization thought that although Garments Without Guilt was a marketing tool, workers in

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participating companies had much better working conditions than in some other factories.

Comment: The Time is Not Ripe to Accept the GSP Petition

18. (SBU) Comment. In post's view, there are five good reasons for the USG not to accept the GSP petition at this time. First, labor conditions in Sri Lanka appear to be good, with ethical working conditions and strong environmental standards in place and manufacturers working to police and improve working conditions. Second, Sri Lanka will hold a Presidential election on January 26, and any USG announcement on GSP will immediately become a campaign issue. The USG is neutral in the election, and is determined not to be seen by Sri Lankans as supporting one candidate. Third, after months of prodding, the GSL began in early October to make positive steps on freedom of movement and facilitated returns for internally displaced persons (IDPs), and has begun to make progress on human rights. If the USG accepts the GSP petition, this decision will be negatively received by the GSL and would likely affect our effectiveness in pushing for progress on IPD returns and resettlement, human rights, political reconciliation and accountability for war time incidents. Fourth, the European Commission is moving to revoke Sri Lanka's GSP plus trade benefits (on human rights grounds, not due to labor rights), and the public will likely conflate the United States' GSP program with the EU's GSP plus program. Fifth, the U.S. Department of Labor plans to send a team to Sri Lanka and the Maldives in February to evaluate progress on labor rights. Following the Department of Labor visit, the USG will have more information upon which to base the decision whether to accept the GSP petition for review. End Comment.  
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